International Labour Conference
90th Session 2002

Report II

Information concerning the Programme and Budget for 2002-03 and other financial and administrative questions

International Labour Office Geneva

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90th Session 2002

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Information concerning the Programme and Budget for 2002-03 and other financial and administrative questions

Second item on the agenda: Programme and budget proposals and other financial questions

International Labour Office Geneva

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Preface

1. This report comprises, in addition to material submitted for information, a number of items requiring action by the Conference. Any other items which may arise after the publication of this report and which also call for action by the Conference will be submitted to the participants through the *Provisional Record*.

2. The items requiring action are:

   (a) Financial Report and Audited Financial Statements for 2000-01, which is published in a separate document available to Conference participants;

   (b) treatment of the 2000-01 surplus; and

   (c) composition of the Administrative Tribunal of the International Labour Organization.

3. Details of these items are set out in the following pages of this report.

4. Information concerning programme implementation in 2000-01 is contained in the report of the Director-General, under item I(a) of the Conference agenda.

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Financial and administrative questions

I. Financial Report and Audited Financial Statements for 2000-01

1. In accordance with articles 28 and 29 of the Financial Regulations, the International Labour Conference will be called upon to adopt the Financial Report and Audited Financial Statements for 2000-01 after their examination by the Governing Body. The Financial Report and Audited Financial Statements comprise the Director-General's financial report and audited financial statements covering the regular budget, the Working Capital Fund, and the special funds and extra-budgetary accounts administered by the Organization, including the accounts of the International Institute for Labour Studies, the accounts for the United Nations Development Programme and the various other technical cooperation accounts, including trust fund accounts.

2. The report and the statements for 2000-01, together with the Auditor's report, will be communicated to Members as a separate document. The Governing Body's recommendation as to the adoption of the Director-General's report and the audited statements will be communicated to the Conference in a separate document to the Finance Committee of Government Representatives.

II. Treatment of 2000-01 surplus

1. The 2000-01 biennium ended with a surplus of 100,925,636 Swiss francs, or US$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar. The surplus was due to the receipt of significant amounts of arrears of contributions, resulting in income in excess of the level of the Programme and Budget for 2000-01, and did not reflect underspending of the approved budget.

2. At its 283rd Session (March 2002), the Governing Body considered a paper [1] on the treatment of the cash surplus and decided to propose to the Conference at its 90th Session that, in derogation of article 18.2 of the Financial Regulations, the 2000-01 surplus be used in part to finance expenditure itemized in the appendix to the paper, and that it adopt a resolution in the following terms:

> ***The General Conference of the International Labour Organization,***
>
> **Noting** ***that for the 2000-01 biennium an excess of income over expenditure has resulted in a surplus of 100,925,636 Swiss francs (equivalent to US$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar),***
>
> **Decides**, ***in derogation of article 18.2 of the Financial Regulations, to use part of the 2000-01 surplus to finance the items listed in Appendix II to the first report of the Programme, Financial and Administrative Committee (extract reproduced as Annex 2 to this report) amounting to 90,801,000 Swiss francs,***
>
> **Notes** ***that, taking into account the above appropriations, the amount available under article 18.2 of the Financial Regulations will be 10,124,636 Swiss francs.***

[1] GB.283/PFA/2/2, reproduced as Annex 1 to this report.

III. Composition of the Administrative Tribunal of the International Labour Organization

1. At its 283rd Session (March 2002), the Governing Body considered a paper [1] on the composition of the Administrative Tribunal of the ILO.

2. As referred to in paragraph 2 of the paper, Ms. Mella Carroll, whose term of office expires in July 2002, has informed the Office that she will not be in a position to accept a further renewal of her appointment. On the expiry of Ms. Carroll's term of office, there will accordingly be a vacant position on the Tribunal.

3. The Governing Body therefore decided to propose to the Conference, at its 90th Session (June 2002), that Ms. Justice Gaudron be appointed as judge of the Administrative Tribunal for a three-year term, and that it adopt a resolution in the following terms:

> ***The General Conference of the International Labour Organization,***
>
> **Expresses** ***its appreciation to Ms. Mella Carroll for the services which she has rendered to the work of the Administrative Tribunal of the International Labour Organization over the last 15 years,***
>
> **Decides,** ***in accordance with article III of the Statute of the Administrative Tribunal of the International Labour Organization, to appoint as judge of the Administrative Tribunal, for a term of three years with effect from 1 March 2003,***
>
> ***Ms. Justice Mary Geneviève Gaudron (Australia).***

[1] GB.283/PFA/15/1, reproduced as Annex 3 to this report.

INTERNATIONAL LABOUR OFFICE

Governing Body

GB.283/PFA/2/2
283rd Session

Geneva, March 2002

Programme, Financial and Administrative Committee

PFA

SECOND ITEM ON THE AGENDA

Programme and Budget for 2002-03

(b) Treatment of 2000-01 surplus

Introduction

1. The financial results under the ILO Programme and Budget for 2000-01 are before the Committee under the first item on its agenda at the present session of the Governing Body. [1] As indicated in that document, the biennium ended with a surplus of 100,925,636 Swiss francs, or US$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar. The surplus is due to the receipt of significant amounts of arrears, resulting in income in excess of the level of the Programme and Budget for 2000-01, and does not reflect under spending of the approved budget. Although contributions received exceeded total assessments for 2000-01, this surplus did not increase the Director-General's spending authority as article 13 of the Financial Regulations only authorizes the Director-General to incur expenditure up to, but not exceeding, the amount appropriated by the Conference.

2. Arrears arise due to the non-payment of assessed contributions in the financial period in which they are due. Pending receipt of such contributions, under article 21 of the Financial Regulations the Director-General is authorized to withdraw sums from the Working Capital Fund or to contract loans. Such withdrawals or debts, if not reimbursed in the same financial period, would have resulted in additional assessments on member States. [2] In this respect, article 18 of the Financial Regulations provides, in effect, that when the arrears that gave rise to the additional assessments are paid, the resulting surplus would be credited to member States.

3. The arrears of contributions received during 2000-01 represent amounts that were due from member States to finance activities of the Organization in previous bienniums. Notwithstanding the provisions of article 21 of the Financial Regulations, in the interest of

[1] GB.283/PFA/1.

[2] In accordance with article 21 of the Financial Regulations, pre-2001 edition.

prudent financial management, it has been the practice of the Office to propose reductions in spending levels to the Governing Body whenever significant shortfalls in income were expected. By voluntarily taking such precautionary measures whenever required, the Office avoided significant deficits as well as any indebtedness. This has been, however, at the cost of reductions in programmes and in investments in infrastructure. Had these measures not been taken, the Office could have continued to spend the full amount of the budget, in accordance with the provisions of the Financial Regulations, thus giving rise to budgetary deficits. Additional assessments would have been made at that time on member States and it would only be after the receipt of the arrears that reimbursement of the additional assessments under article 18 of the Financial Regulations would have been possible. The financial discipline exercised by the Office therefore avoided any additional assessments on member States.

4. The Committee may wish to recall the action taken on recent occasions when similar surpluses have arisen:

(a) for the 1990-91 biennium, the Conference authorized 12,324,000 Swiss francs (63 per cent) out of a total surplus of 19,369,458 Swiss francs to be retained for investments in communications, information systems, word processing and other systems, including electronic voting for the Conference and a transfer to the Building and Accommodation Fund;

(b) for the 1992-93 biennium, the Conference authorized 21,729,700 Swiss francs (90 per cent) out of a total surplus of 24,230,335 Swiss francs to be retained for priority programmes and for investments in equipment and information technology;

(c) for the 1998-99 biennium, the Conference authorized 38,250,000 Swiss francs (93 per cent) out of a total of 41,711,581 Swiss francs to be retained for the establishment of an Information Technology Systems Fund.

In all three cases the remaining balance of the surpluses was credited to member States in accordance with article 18 of the Financial Regulations.

5. After wide consultations, and in view of the precedents of the past decade, the Director-General proposes the retention of some 90 per cent of the surplus for 2000-01 (90,801,000 Swiss francs, or $51,300,000 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) for urgent priorities and time-bound investments. This would leave an amount of 10,124,636 Swiss francs to be credited to member States.

6. The Director-General's proposals for the use of the surplus reflect resource gaps that derive from declining real regular budget resources during a time of reform, expanded visibility and increased demand for services. The proposals are described below under two main headings:

I. New demands and opportunities.

II. Strengthening of institutional capacities as foreseen under the Strategic Policy Framework.

7. The proposed expenditures would be one-time investments that would not create continuing obligations for the future. Funds would be held in separate project accounts, including, where appropriate, the Building and Accommodation Fund and the Information Technology Systems Fund. Each proposal is accompanied by a statement of intended outcomes in keeping with results-based management principles. No expenditure would be incurred without the prior approval of the Director-General based on detailed proposals. The Office would report regularly to the Governing Body on the use of the funds, mainly

through the Programme Implementation Report that provides integrated reporting on ILO performance. The expenditure would be incurred over a four-year period.

I. New demands and opportunities

8. An essential part of organizational effectiveness in a fast-changing world is the capacity to respond quickly when new demands and opportunities arise. Despite major efforts to streamline operations, the ILO's response capacity has inevitably declined as a result of programme reductions. A number of items the Governing Body has recently called for require immediate infusions of resources if they are not to result in unplanned reductions in approved programmes. Other unforeseeable items, such as crisis responses, go beyond the ILO's existing capacity. A number of these expenditures, in particular investments in improved security, are inevitable in the present international climate. Several are intended primarily to support work at the regional and country level.

9. *A Maritime Session of the International Labour Conference.* This has already been approved in principle by the Governing Body. There is a vital opportunity to apply the new integrated approach to international labour standards in an industry that is challenged by new security concerns as well as long-standing problems. In view of the coverage of all maritime standards, preparatory work is especially important and additional expertise for legal analysis and for drafting provisions is required in view of the need to consolidate more than 60 ILO Conventions and Recommendations in the maritime field. Resources are required for a preparatory meeting in 2004 for first discussion of the proposed new instrument, and a maritime session of the International Labour Conference in 2005 to adopt the instrument. It is foreseen that this session will require additional committees for substantive issues and specific subject areas as well as on legal and procedural matters notably to address issues relating to the Final Clauses regarding the 60 instruments.

Intended outcome: Greater impact of maritime standards due to improved relevance and coherence.

Resources: $3.2 million.

10. *The World Commission on the Social Dimension of Globalization.* It is proposed to provide for the full cost of the World Commission instead of relying on possible savings under Part I of the budget. As the 2000-01 exercise shows, it would not be prudent to anticipate such savings. Moreover, since a budget was first proposed in November, interest in the work of the Commission and expectations for its report have assumed much larger proportions. The Commission will be a major, high profile opportunity to alter the terms of the current globalization debate and to show that the ILO has an essential role in the global agenda. However, greater visibility means that the outputs of the Commission will be critically examined from a variety of perspectives and the risks of failure are heightened. A result of exceptional quality is essential. It is therefore important to provide full support to the Commission. This includes additional consultations, access to expertise and research both within and outside the Office, and proper administrative and communications support. Comparisons have been made with the arrangements for similar commissions organized by other institutions and they show that the budget proposed below is a necessary minimum. The new estimate is the total for the Commission, including the amount originally estimated.

Intended outcome: Heightened consciousness of the social implications of globalization; international action to make globalization a means to promote decent work, reduce poverty and foster development.

Resources: $2.8 million.

11. *International labour standards: Integrated approach and assessment of impact.* The Governing Body has devoted considerable effort over the past few years to the question of more effective standards-related action. It has made good progress in identifying priority standards for promotion and in developing a new, integrated approach to future standard setting. This needs to be followed up by in-depth work on items proposed for the integrated approach to standards and by assessments of the impacts of standards. This would lead to proposals and action on the improved promotion of standards.

Intended outcome: In-depth preparation of standard-setting items selected for the integrated approach; strengthened standards promotion.

Resources: $2 million.

12. *Response to crisis and emergencies.* Crisis response by definition cannot be planned; existing resources are inadequate for the crises that are already present in the early weeks of this biennium. The ILO has become more active in its response to crisis situations, and this has shown that early action has a real impact on prospects for long-term development. At the same time, this impact depends on a capacity to respond immediately with local representation, project development, pilot activities and advisory services. Moreover, crisis response needs to cover the full range of the ILO's objectives, requiring a cross-sectoral approach, and it needs to go beyond conflict and disasters to include economic and social emergencies. Resources are needed to respond to crises and economic and social emergencies in, for example, Afghanistan, Argentina, former CIS countries, Palestine and a number of African countries. The recent meetings on the implications of the 11 September tragedy for civil aviation and for hotels and tourism open a new means of ILO response to crises.

Intended outcome: Integrated responses to crises and to economic and social emergencies in additional member States.

Resources: $6.5 million.

13. *Investments in building and accommodation.* Two papers, [3] which propose the use of the Building and Accommodation Fund to finance the construction of new premises to house the ILO Regional Office for the Americas in Lima and the installation of additional office buildings at headquarters, are before the Committee at the present session of the Governing Body. Should the Governing Body approve these proposals, the balance available on the Building and Accommodation Fund would be reduced to US$1.4 million. [4] In order to maintain the fund at a level that would enable it to meet other potential uses, including additional office space for the ILO Regional Office for Africa in Abidjan, upgrading of fire detection equipment and replacement and refurbishment of interpretation equipment and booths at Geneva headquarters, the Director-General proposes that an amount of $5.5 million be transferred to the Building and Accommodation Fund. Any proposals for the use of the resources of the Building and Accommodation Fund would, of course, be submitted to the Governing Body for its prior approval, in accordance with the provisions of the Financial Regulations.

[3] GB.283/PFA/4 and GB.283/PFA/4/1.

[4] This excludes an amount of $2.5 million received from the company responsible for maintaining the headquarters building's technical installations and set aside exclusively for this purpose by a resolution of the Conference in June 1994.

Intended outcome: Improved functionality of ILO premises.

Resources: $5.5 million.

14. *Security and safety of staff.* There are concerns about the security and safety of United Nations staff in light of developments during 2001 and continuing uncertainty in the international security environment. The Chief Executives Board (formerly ACC), with United Nations General Assembly support, agreed to introduce measures designed to strengthen UN system-wide security management arrangements, and the ILO will be expected to share in the associated cost increases. The ongoing ILO Field Security Review confirms that if the Office is to conform to the overall requirements of the UN Security Management System (UNSMS) it needs to take some urgent measures. It is planned to review and update security policy, rules, procedures and guidelines and provide training to management and field staff on security matters generally and, in particular, those relating to the UNSMS. The ILO will also take a more active role in the UN security coordination effort at country level and establish security focal points in each ILO field office. As part of the Field Security Review, security arrangements in three field offices have already been reviewed and it is expected that 12-15 field offices (out of a total of 45) will require special security and safety measures, which will include reinforcing existing building security, improving access controls and upgrading communications facilities.

Intended outcome: ILO safety and security standards for staff and premises meet levels agreed to by the UNSMS.

Resources: $2.8 million.

II. Strengthening of institutional capacities foreseen under the Strategic Policy Framework

15. The Strategic Policy Framework, 2002-05 (the SPF) identifies a series of areas in which the ILO's institutional capacities need strengthening: management, regional services, knowledge management, statistics for decent work, gender equality, external communications, human resources development and information technology. The SPF recognizes that resources would not be available within the framework of zero growth for the improvements that are urgently needed. It expresses the hope that extra-budgetary resources would fill the gap. While donors have been generous in their support, with a few important exceptions they have not agreed that their resources be used to reinforce core capacities of the Office. Indeed, they have often called for reinforced regular budget support to the areas where they have made extra-budgetary resources available. The reforms and capacities approved by the Governing Body therefore have been addressed in an ad hoc and limited way due to the lack of resources.

16. *Management challenges.* (This includes human resource development, treated separately in the SPF.) The ILO has launched major reforms through the introduction of results-based budgeting and related organizational development. This requires reinforcement of the regular budget provisions in the following areas:

- redesign of programme planning, monitoring and evaluation procedures; introduction of more rigorous accountability and performance management systems; measures to upgrade efficiency and effectiveness of specific services; and related information, tools and training;

- organizational reform, including better integration of the Turin Centre with the ILO, improved joint programming across headquarters sectors and the regions; further streamlining of structures and related redeployment; and consolidation of organizational changes;

- performance-based management training; upgrading and updating of skills, including for displaced staff; support to the new programme for young career entrants to build a new generation of staff with both field and headquarters experience at an early stage of their careers.

Intended outcome: Results-based improvements in effectiveness and efficiency; a better organized and more coherent Office; improved performance management and evaluation; skills upgrading and rejuvenation.

Resources: $6 million.

17. *Regional services.* The Director-General has announced his intention to reinforce regional services. This requires investment in the following areas:

- transitional costs related to moving staff and other resources to the regions and to support decentralization of responsibility, in particular for technical cooperation;

- development of systems and capacities to ensure improved technical cooperation project design, monitoring and evaluation, and to fully integrate extra-budgetary programmes into the ILO's strategic budget;

- development and pilot testing of new technical cooperation approaches and products, in particular to position the ILO as a key player on poverty reduction and PRSP and to ensure that the Decent Work Agenda is reflected in integrated programmes and projects. In addition to project and programme designs, pilot operations would be organized in collaboration with major donors. This work would take place essentially in the regions. It would support major initiatives with other UN family organizations. Among others, this includes follow-up to the China Employment Forum, Jobs for Africa, ILO/AIDS, enterprise development and support to regional cooperation.

Intended outcome: Successful decentralization of headquarters posts; higher quality technical cooperation products and proposals; improved collaboration with donors and other partners; pilot services to member States demonstrating the potential of new approaches and products.

Resources: $10 million.

18. *Statistics.* This is a major area of analysis in the SPF. The goal is accurate, up-to-date databases and methodologies in support of the four strategic objectives that comprise the Decent Work Agenda. Considerable reform in internal structures and methods is needed, as well as stronger capabilities in member States. Resources would be used to design new methodologies and to pilot test them in selected countries. In view of the overall resource requirements, part of the investment would be in the development of projects suitable for extra-budgetary funding.

Intended outcome: Increased national, regional and international capacity to measure and monitor decent work effectively.

Resources: $2 million.

19. *Gender equality.* Much has been done to strengthen the ILO's work on gender equality, but this is still an insufficient response in view of the scope and severity of the problems. In order to promote integrated approaches to gender equality, the Office has been developing a capability to support gender audits. This has been effective internally, and is appreciated in the member States where pilot support has been provided. Additional resources would permit coverage of additional countries and development of projects appropriate for extra-budgetary funding.

Intended outcome: Gender audits in member States demonstrate the value of this approach and attract donor interest.

Resources: $2 million.

20. *External communications.* The ILO is developing a more strategic communications policy. It needs to reinforce both global campaigns and targeted messages for donors and regional and local audiences. The ILO's regional structures need an enhanced capacity to tailor and disseminate information. It is proposed to develop new tools and methods that will help to build stronger and more interactive relationships with constituents and donors and to reinforce the perception of the ILO in diverse information networks. Different means and technologies would be tested for advocacy campaigns and the development of partnerships to multiply the Organization's outreach capacity. This will require the upgrading and expansion of a range of communications technologies, including the Internet, audio-visual and print capabilities. It also requires staff training in communications skills.

Intended outcome: Better institutional capacity to communicate the ILO's messages, and greater ILO recognition and presence in global and regional networks.

Resources: $3.5 million.

21. *Investment in information technology.* (This includes technologies in support of knowledge management, treated separately in the SPF.) In June 2000, the Conference, on the recommendation of the Governing Body, decided to establish an Information Technology Systems Fund. Priority has been given to the upgrading of the ILO's financial and human resources systems and the amount available in the Information Technology Systems Fund has been fully committed for these purposes. This has meant however, that other information technology needs cannot be implemented, such as a content/document management system (CDMS), improved HQ/field telecommunications infrastructure, disaster recovery and hardware security, a storage area network (SAN), upgrading of the electronic voting and conference-management system and conversion to Microsoft Office. It is clear that the investment required for information technology cannot be realistically envisaged within the regular budget, which is subject to zero growth. The Director-General therefore proposes that an amount of US$5 million be transferred to the Information Systems Technology Fund on the understanding that any proposals for the use of these resources would be submitted to the Governing Body for its prior approval.

Intended outcome: Improved information systems and data and communications security.

Resources: $5 million.

22. ***The Committee may therefore wish to recommend that the Governing Body:***

(i) request the Director-General to propose amendments to the Financial Regulations in order that surpluses may be dealt with in an appropriate

manner, taking into account the circumstances under which they have occurred; and

(ii) propose to the 90th Session (June 2002) of the International Labour Conference that, in derogation of article 18.2 of the Financial Regulations, the 2000-01 surplus of 100,925,636 Swiss francs (equivalent to US$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) be used in part to finance the items listed in the appendix, amounting to 90,801,000 Swiss francs (equivalent to US$51,300,000 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) and that it adopt a resolution in the following terms:

The General Conference of the International Labour Organization,

Noting *that for the 2000-01 biennium an excess of income over expenditure has resulted in a surplus of 100,925,636 Swiss francs (equivalent to US$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar),*

Decides, *in derogation of article 18.2 of the Financial Regulations, to use part of the 2000-01 surplus to finance the items listed in the Appendix amounting to 90,801,000 Swiss francs,*

Notes *that, taking into account the above appropriations, the amount available under article 18.2 of the Financial Regulations will be 10,124,636 Swiss francs.*

Geneva, 21 February 2002.

Point for decision: Paragraph 22.

Appendix

Proposed use of the 2000-01 surplus

Summary

	US dollars	US dollars
New demands and opportunities		
Maritime Session of the International Labour Conference	3,200,000	
World Commission on the Social Dimension of Globalization	2,800,000	
International labour standards	2,000,000	
Response to crisis and emergencies	6,500,000	
Investments in building and accommodation	5,500,000	
Security and safety of staff	2,800,000	
		22,800,000
Strengthening of institutional capacities foreseen under the Strategic Policy Framework		
Management challenges	6,000,000	
Regional services	10,000,000	
Statistics	2,000,000	
Gender equality	2,000,000	
External communications	3,500,000	
Investment in information technology	5,000,000	
		28,500,000
Total		51,300,000
Total cost in Swiss francs		90,801,000

INTERNATIONAL LABOUR OFFICE

Governing Body

GB.283/9/1
283rd Session

Geneva, March 2002

(Extract)

First report of the Programme, Financial and Administrative Committee

1. The Programme, Financial and Administrative Committee of the Governing Body met on 12 and 13 March 2002, chaired by Mr. J.-J. Elmiger (Government representative, Switzerland). Mr. B. Botha (Employer spokesperson) was the Reporter.

(...)

Treatment of 2000-01 surplus

17. The Committee had before it a paper [4] describing measures proposed for the disposition of the 2000-01 cash surplus.

18. The Committee's discussion on this subject was preceded by a statement from the Director-General, the text of which is attached as Appendix I to this report.

19. Mr. Blondel, before turning to the subject in question, congratulated the Office on having sent the documents to the members of the Governing Body so early. Work had been greatly facilitated as a result. Concerning the matter of the treatment of the surplus, he recalled that it arose from the payment of arrears of contributions and was not a true budgetary surplus. He congratulated the Office on its prudent management, and the fact that it had not taken out any loans, which would have generated supplementary charges, but this meant some activities had been neglected. The Director-General proposed reallocating 90 per cent of this cash surplus to the activities that had suffered as a result and the Workers fully agreed that all the arrears of contributions should be allocated in this way. That approach was also in keeping with the notion of the Strategic Policy Framework and the strategic budget adopted by the Governing Body. Other proposals outside this framework would amount to abandoning the strategic budget adopted up until 2005 and to which the Workers remain committed and fulfilling the ambitions of that budget would mean reallocating the funds now available. The events of 11 September had also resulted

[4] GB.283/PFA/2/2.

in new needs, demonstrating, for example, that the Office had to improve its crisis response. The security of officials was a further problem to be addressed. To conclude, Mr. Blondel underlined the fact that, while agreeing with the spirit of the conclusions submitted in the document, the full budgetary surplus should be reallocated to the Office's activities.

20. Mr. Botha, on behalf of the Employer members, thanked the Director-General for his statement, which explained in further detail the points made in the Office paper, a document which was transparent, articulated the current situation clearly, and reflected a high level of managerial discipline by the Office. The surplus resulted from arrears of contributions which had arrived almost at the end of the biennium; it was not a true budgetary surplus because the Programme and Budget for 2000-01 had been fully spent. The Office was authorized to borrow from the Working Capital Fund and other sources to pay for expenditure before contributions came in, but it had never done so just as a matter of course. If shortfalls were expected to be more than temporary the Office had always proposed reductions in spending levels but, as the paper pointed out, this prudent financial management had been at the cost of reductions in programmes and investments in infrastructure.

21. The Employers were impressed to see the ILO being run in such a businesslike way, tailoring its activities to its resources. They agreed with the Workers' view that this surplus should more properly be regarded as arrears paid and that the full 100 per cent rather than 90 per cent should be retained for programmes. The paper pointed to other occasions in recent history when all or part of similar surpluses had been retained for important projects through authorization by the Conference. The Director-General's suggestion for a build-up approach was understandable but there was strong justification for retaining the full amount. The Employers supported the approach proposed in paragraphs 5, 6 and 7 of the Office paper and the events of 11 September clearly demanded new approaches and increased resources for ILO activities. Some of the proposals concerned activities already in the pipeline but the new demands on the Office were all affected by these events.

22. The Employers were reassured to see that the proposals were for one-time investments without future continuing obligations, that funds would be held in separate accounts, that the Director-General would be required to approve expenditure from these accounts and that there would be regular progress reporting to the Governing Body. All of this, together with the outcomes-based approach and the programming of expenditure over successive financial periods, was sound managerial practice.

23. The Director-General's explanation of how projects were selected was logical but Mr. Blondel was right to say that new thinking was needed when circumstances changed, and the Employers now had a number of concerns. As a rule strategic budgeting dealt with the big picture, with less emphasis on detailed information. However, there had been no real consultation on the proposals in the Office paper and for that reason many questions arose, even though some of the proposals were more detailed than in the original programme and budget. There was no information on how these projects were chosen, and it was disappointing to see nothing on employment activities nor on ACT/EMP support for employers' organizations, particularly in developing countries. A higher priority should have been given to decent work programmes and the role of the informal sector and to the needs of employers' organizations. It seemed that many projects were administrative instead of being directed to the needs of constituents and some needed greater justification: for example, resources for the World Commission on the Social Dimension of Globalization had been increased from about US$800,000 to US$2.8 million with almost no detail. Others deserved solid support: for example, programmes on response to crises and emergencies, security and safety of staff, and especially external communications,

where there was an urgent need to replace antiquated practices with a more modern approach.

24. More should have been done to address the needs of the regions, but this should be preceded by informal consultations with constituent groups and particularly the Employers' secretariat, which had contributed so much to the success of discussions on the Declaration and to continuing discussions on standards. With these reservations, the Employers were happy to support the point for decision.

25. The representative of the Government of Canada emphasized his country's support for and commitment to the International Labour Organization and stated that such commitment included ensuring that the contributions of all member States were used in the most effective and efficient manner. Member States had an obligation to pay assessed contributions in full, on time, and without conditions, in accordance with the provisions of the Constitution and the Financial Regulations. The delay in payment by some member States was unfortunate and injected an element of uncertainty into the Organization's financial planning exercise.

26. On the question of any surplus over and above the approved programme budget level, the ILO's Financial Regulations clearly stipulated that any such surplus was to be returned to member States. This policy was consistent throughout the UN system. Recent biennia had seen cash surpluses used for various purposes instead of being refunded to member States and Canada was concerned about that trend and the possible consequences for other international organizations.

27. There had been a significant increase in the ILO's budget for 2002-03, and there was therefore a clear obligation for member States and the social partners to give careful consideration to the proposed treatment of the cash surplus in the light of the agreed principles which were at stake, and to the precedent that would be created. The Director-General's argument that past practice in dealing with surpluses justified acceptance of the broad list of proposed expenditure was questionable since, on the last occasion, the Conference had agreed to the retention of part of the 1998-99 surplus as an exceptional one-time measure, so it was difficult to support the Director-General's proposals contained in the paper before the Committee. If a consensus emerged in favour of the retention of part of the surplus, then a much more detailed and carefully prioritized list of how it should be used should be prepared for consideration at the 2002 International Labour Conference.

28. The representative of the Government of Brazil, speaking on behalf of the Latin American and Caribbean group, supported the Director-General's proposals for the use of the 2000-01 surplus. As the document submitted by the Office clearly demonstrated, there were numerous needs concerning programme development, technical cooperation and the strengthening of institutional capacity in the Organization. These needs corresponded to specific requests made by the ILO's constituents and, more particularly, by developing countries. It was important to emphasize that surplus resources had originally been earmarked for programmes and activities that had either been reduced or completely eliminated.

29. The Director-General's proposals represented an acceptable basis for discussion concerning the use of the surplus although more detailed information should be provided at a later stage. The Office's response to crises and emergencies and the strengthening of activities in the regions required more resources and it was right that a part of the surplus should be dedicated to the Global Employment Programme. The Office should nevertheless consider introducing amendments to the Financial Regulations with a view to avoiding frequent derogations whenever surpluses occurred.

30. The representative of the Government of Portugal said that the issue under consideration was extremely complex. Article 18 of the Financial Regulations had been specifically formulated to deal with situations where the approved budget had not been entirely spent. The surplus under discussion had not been caused by underspending however, but by the late receipt of arrears of contributions. That situation had arisen on a number of occasions in the past and, in recent years, a derogation from article 18 had been authorized by the Conference.

31. Should such a derogation not be authorized the repayment of contributions to member States would constitute a reward to those member States which had paid their contributions late. There was also the possibility that in future the Office would reconsider its prudent approach to dealing with late contributions and income shortfalls. Under the circumstances the Government of Portugal supported the Director-General's proposal for the derogation of article 18 of the Financial Regulations.

32. With regard to the proposed uses of the surplus, and in view of the considerable amounts involved, he thought that the document included pertinent and even stimulating proposals but they should fall within the Office's strategic approach and its commitment to decent work and globalization issues. Nevertheless he considered that the Director-General's introductory statement in large part responded to his concerns.

33. The representative of the Government of the Islamic Republic of Iran thanked the Director-General for having provided the Committee with a comprehensive and informative introduction which had clarified a number of ambiguities. He was confident that the surplus would be used effectively by the Office and supported the proposals contained in the paper under discussion. He hoped however that due attention would be given to the priorities and needs of developing countries, and that further details concerning the use of the surplus would be made available.

34. The representative of the Government of Malaysia welcomed the paper on the use of the surplus. The Office's prudent policy concerning income shortfalls was commendable and he hoped that it would continue in future. Although the paper provided information on how the Office proposed to use the surplus, further detailed information on the programmes and activities involved would be appreciated, especially on those programmes which would have a positive impact on developing countries. Greater emphasis should be also be given to regional activities, as was mentioned by the Employers' group, but he was pleased to support the proposals as they stood.

35. The representative of the Government of Algeria, speaking on behalf of the African group, thanked the Office for the information provided. He supported the proposed use of the surplus in derogation of the Financial Regulations and stated that the programmes that should be given priority were those which had been cut back as a result of income shortfalls and the Office's prudent reaction to those shortfalls. The retention of the surplus and its use in accordance with the strategic objectives of the ILO were therefore fully supported.

36. The representative of the Government of Namibia supported the statement made by the representative of the African group and agreed that the surplus should not be returned to member States. Had the surplus been due to underspending there would have been a stronger case for returning such a surplus to the Members, but a better use would be to strengthen the employment sector, regional structures and occupational safety and health, which were all priority areas. He would prefer the retention of 100 per cent of the surplus rather than just 90 per cent, but it would be useful to have more information on why a further $5 million was required for the Information Technology Systems Fund.

37. The representative of the Government of the United States stated that his Government had always strongly supported the ILO's sensible and disciplined budgetary practices and that those practices had promoted the well-being and effectiveness of the Organization and had facilitated its continued financial and political support. The United States appreciated that a number of questions it had were addressed in the Director-General's opening statement.

38. The current surplus represented payments made by members States, reflecting their commitment to the work of the ILO, and the major part of the surplus related to money which the United States had been unable to pay on time. Nonetheless, the payment did represent a continued commitment to the work of the ILO and it reflected his country's satisfaction with the Organization's prudent management policy. As was pointed out by the Workers' and Employers' groups, as well as other speakers, the Financial Regulations contained an element of ambiguity regarding surpluses generated through underspending versus surpluses generated through late payments of contributions, and the United States was prepared to support a derogation from article 18.2 of the Financial Regulations in this particular case. It also expected to join a consensus in favour of seeing most of this surplus remain with the ILO. Some of the projects proposed by the Office were more compelling than others, but as several speakers had correctly noted, all of them required considerably more detail and explanation.

39. The representative of the Government of Germany recalled that the procedure for the treatment of an excess of income over expenditure was set out clearly in article 18.2 of the Financial Regulations. This was not the first time that a surplus had arisen and in three previous instances the Governing Body had recommended to the Conference that, in derogation from article 18.2, part of the surplus be used to finance projects approved by the Governing Body. In place of a derogation from the relevant provision of the Financial Regulations each time it was necessary, it would be more logical to try, as was suggested by the representative of Brazil, to obtain a majority in favour of a permanent amendment. Moreover, it would have been helpful had the document contained reasons on how the surplus arose.

40. He was sympathetic to comments by previous speakers questioning whether article 18.2 should really be applied to the current surplus. Contributions that the Office relied on had been unjustly withheld and it would have been useful to have additional information on programmes affected as a result of this action. Presumably some had been cancelled altogether and others only partially carried out, and an understanding of the consequences would have allowed the Committee to approach this problem in a more flexible manner.

41. Paragraphs 8-21 listed potential projects but omitted a clear indication of the criteria by which they were selected, which might include for example projects not foreseen in the regular budget or which responded to an urgent and unpredictable situation, but in any case projects should not commit additional resources in later budgetary periods. None of the projects listed appeared to meet these criteria. It was not clear whether the $3.2 million referring to the Maritime Session of the International Labour Conference was the full amount for holding the session or intended only to cover additional costs. It would never be acceptable if Maritime Sessions could only be financed through such surpluses, but if the amount was intended to finance additional requirements more detailed information would be required. For the proposal in paragraph 10 referring to the World Commission on the Social Dimension of Globalization, he agreed with the comments made by Mr. Botha that it was difficult to understand how the estimated budget for the Conference increased from approximately $800,000 in November 2001 to $2.8 million now, and much more information was required. The project in paragraph 12 on the response to crisis and emergencies was justified in principle but more detail was needed on exactly how the allocation of $6.5 million would be spent. He had reservations concerning the proposal in paragraph 13, but although the project relating to security and safety of staff deserved

support more information was needed before a final decision. One other project that could have been added to the list was the IMO proposal to amend Convention No. 108. The ILO should study this proposal.

42. In summary, he was unable to support decision paragraph 22 in its current form. Since the Governing Body would not meet again prior to the June Conference, and since it would be impossible for the Office to provide additional details on all these projects immediately, one solution might be for the Office to send a more detailed report to Committee members in the next few weeks, for discussion at a supplementary meeting of the PFAC just before the June Conference, although this might impose additional costs as not all representatives of the Employers and Workers in the PFAC automatically attended the Conference. Another possibility was for the Governing Body to be authorized by the Conference to take a final decision at a later date.

43. The representative of the Government of the Netherlands agreed with earlier speakers that the surplus largely resulted from the prudent financial management practised by the Office. Governments wanted international organizations to be prudent in the management of financial resources which meant if contributions were not paid on time, they had to cut operational programmes in order to avoid deficits. Although the Office had the right to spend the full budget, the Director-General had decided not to do so and the Netherlands supported this policy as an example of prudent financial management. The real question here was directed to governments rather than the Office. It was not right to punish the Office and deprive it of funds simply because some contributors paid late, and it was odd that they could sometimes be entitled to a refund for doing so. The fact that a member State paid its contribution on time did not give it the right to a share of contributions paid late by others.

44. It was unfortunate that these amounts were received too late for the regular budget activities for which they were intended, and the funds should now be restricted to one-time activities and accounted for separately. The proposals in the document came from initiatives identified in earlier discussions on financing and already it had been decided to pay for some from savings. Some could have been better presented, in particular the World Commission on the Social Dimension of Globalization where the original cost was much lower than the current estimate, but in general the detail and justification differed little from that required for regular budget activities. She supported the point for decision and the proposal to amend the Financial Regulations so as to avoid a recurrence of this situation in future.

45. The representative of the Government of Italy supported the comments of the representatives of the Netherlands and Portugal. The amount of the surplus represented an opportunity to boost priority programmes and it was a question of choosing the most deserving. The programme on decent work was especially relevant, as were those on crisis and emergency response and regional services. The document was perhaps a little light on detail but, on the understanding that the Office would report regularly on how the funds were used, he would support the point for decision.

46. The representative of the Government of France observed that the Committee was required to decide on two questions, the first concerning a possible derogation from article 18.2 of the Financial Regulations, the second concerning how the cash surplus for 2000-01 should be used. On the first, he supported the remarks of the representatives of the Governments of Portugal, the Netherlands and Italy that since this surplus represented the receipt of arrears of contributions it should be used for priority activities. As for what percentage of the surplus should be used, the proposed reimbursement of 10 per cent to member States was for most of them a derisory sum and he supported the suggestion to use the full 100 per cent on ILO programmes. On the question of what the money should be spent on, he

would prefer to see it used on one or two programmes such as the Decent Work Agenda and the development of social protection programmes. Nevertheless, France supported the proposals in the Office paper but regretted the absence of more detail. He agreed with previous speakers that the use of the funds and the impact of the programmes should be the subject of a detailed report by the Office.

47. The representative of the Government of Japan endorsed the view that the surplus should be returned to the member States in accordance with the Financial Regulations. Member States should not authorize a derogation from the Financial Regulations without amending them. The fact that there had been a derogation of article 18.2 previously did not automatically justify it again, neither did the fact that the Director-General had cut programmes in the past justify the use of a surplus in this way, because the Governing Body was made aware of the situation in each case and had approved reductions in the programme and budget. They wished to stress the fact that the Office also had used a large amount of the surplus, even though it derived from underspending. Equally, while the surplus clearly resulted from the payment of arrears, the Office should not simply propose to use such a large amount of money without giving member States a detailed and thorough account of the situation. The Financial Regulations did not specifically make reference to such cases and repeated derogation from article 18.2 should be avoided.

48. The Office should not a priori propose using 90 per cent of the surplus for 2000-01 without a detailed examination of needs. Constant derogation from the Financial Regulations diminished member States' confidence in them and affected the incentive for governments to support ILO activities. If the Office sincerely believed that its proposals were based on the need to finance exceptional and urgent priorities, then a more detailed and precise account of each project was needed. Furthermore, the Office declared that some of the expenditure would be incurred over a four-year period and it was difficult to understand how a four-year spending plan could be considered urgent. Allocating expenditure on such long-term projects at this stage would render the results-based budget process meaningless because the Governing Body had not yet evaluated the results for 2002-03.The Office needed to concentrate now on a full and complete analysis of current operational activities. Member States had an accountability to their taxpayers and a responsibility to monitor the utilization of resources of the Office and the Governing Body would be failing in its duty if it agreed to another derogation from the Financial Regulations with such incomplete proposals that lacked detail.

49. The Maritime Session of the ILC should be examined in discussions on the 2004-05 budget, in accordance with the regular budget process. The need for additional meetings was questionable and should not be approved before a more detailed explanation. Equally, it was incomprehensible that costs for the World Commission on the Social Dimension of Globalization could increase almost 3.6 times larger since last November and he wondered why the Office had not requested this amount earlier. The proposal on international labour standards, contained in paragraph 11, had no concrete content and it was difficult to see exactly what was planned and thus its urgency as well. The proposal in paragraph 12 on the response to crisis and emergencies might well be a suitable proposal especially given the severe employment situation in the Asian region, but a more accurate and realistic description of objectives was needed. The resources allocated to investments in building and accommodation, paragraph 13, were excessive and therefore not acceptable at this stage. The proposal on security and the safety of staff, paragraph 14, was commendable, but the Office should again provide more detailed information, and the proposed expenditure for the strengthening of institutional capacities in relation to the Strategic Policy Framework should have been planned as part of regular budget activities. In line with the comments made by the representatives of the Governments of Germany, Canada, France and Portugal, he requested that the Office issue revised proposals incorporating the

views expressed in this Committee in time for appraisal before the Conference in June. At the moment he was unable to support the point for decision contained in paragraph 22.

50. The representative of the Government of Croatia endorsed the comments made by previous speakers who supported in general the proposals put forward by the Office. The comments made by the representative of the Government of Germany concerning a Maritime Session of the International Labour Conference were particularly relevant. The Director-General had rightly emphasized the urgent need for programme and technical cooperation activities and the surplus should be used in this way, but more detailed information was required for member States to be able to assess fully the benefits that such projects would deliver. Clearly projects funded by the surplus must be those for which there was little or no funding provided in the regular budget. There was a special need for projects in the field of gender equality and the global programme on More and Better Jobs for Women, because these programmes were funded primarily from extra-budgetary resources at present and could do with more funds. The reinforcement of regional services was equally important but a clearer understanding of how the resources would be allocated by region was needed.

51. The representative of the Government of Saudi Arabia, speaking also on behalf of the United Arab Emirates, thanked the Office for the document and the Director-General for his introductory statement. Although it was important to adhere to the Financial Regulations, the ILO now had a quite exceptional opportunity to launch a number of extremely worthwhile projects provided that a derogation from article 18.2 could be authorized. He expressed full confidence that the Director-General would use the surplus in a manner which benefited the most member States. Even though more information was needed before the matter could be discussed during the Conference, he was prepared to express support now for decision paragraph 22, and in support of the request by the Namibian representative, he urged the Director-General to re-examine the budget allocation for the Information Systems Technology Fund and for services in the regional offices.

52. The representative of the Government of Denmark, speaking as well on behalf of the Governments of Sweden and Norway, observed that although the general rule was for a surplus resulting from underspending to be paid back to member States, the current surplus did not arise in that way. On the contrary, the agreed budget for 2000-01 had been fully utilized and, as several speakers had already mentioned, the surplus in fact represented the payment of significant arrears from member States. Should it be paid back to member States or should the Committee authorize, in derogation from article 18.2 of the Financial Regulations, the Office to use the majority of the surplus to finance selected projects?

53. As the Director-General had proposed, the major part of the surplus should be used for programming activities. The Office had acted in a responsible and prudent manner in those biennia where the arrears occurred and although the Director-General could have borrowed money from the Working Capital Fund or other sources he did not do so. Instead operational activities and programmes and investment in infrastructure had been reduced or delayed, and this good housekeeping deserved to be recognized and rewarded. If the Committee argued that the entire surplus should be paid back to member States there was no incentive for the Director-General to act responsibly and the easiest solution would be for him simply to implement programmes and activities according to the agreed budget, whether or not the money had been received. Member States should be encouraged to pay their arrears but they should not be rewarded by a reimbursement from any surplus generated as a result, because this would only encourage others to delay payments until budget cuts had been made in the hope of receiving a reimbursement under article 18.

54. As a general comment it would have been preferable to see a larger proportion of funds allocated for urgent needs, but of those listed priority should be given to the proposal for a

Maritime Session of the International Labour Conference, the proposal on the international labour standards, the proposal on the response to crisis and emergency and the gender equality proposal, although the success of the last-mentioned would depend on a high level of political commitment as well. She fully supported what had earlier been expressed by the spokesperson of the Employers' group concerning the proposal on the regional services. As far as the proposal on the World Commission on the Social Dimension of Globalization was concerned, the increase in costs was substantial and a higher proportion should be allocated to field activities. She was prepared to support paragraph 22 on the understanding that all proposals were one-time investments that would not create continuing future obligations.

55. The representative of the Government of the United Kingdom acknowledged that the surplus resulted from the receipt of arrears rather than underspending of the approved budget. Governments should make every effort to pay assessed contributions in full and on time, and the present situation highlighted the significant problems faced by the ILO when they did not. However, article 18.2 of the Financial Regulations set out how surplus funds were to be dealt with and member States that paid their contributions in full and on time should be able to rely on this principle. She welcomed the Director-General's assurance that the way previous surpluses were handled did not necessarily set a precedent in support of these proposals, and also his determination to continue present policy for the management of budgetary shortfalls.

56. Some of the proposals lacked definition, particularly that concerning the Maritime Session of the International Labour Conference which should in any case be put forward for consideration in the 2004-05 programme and budget. The Office should produce revised proposals incorporating the key supporting arguments from the Director-General's presentation and showing a more detailed and prioritized list for consideration by this Committee. Without this information, the recommendation in paragraph 22 should not be accepted.

57. The representative of the Government of India observed that the Office proposed to retain 90 per cent of the surplus to finance the programmes and activities listed in the document. The Financial Regulations of the ILO provided for the return of surplus funds to member States, but exceptions could be authorized and had in fact been authorized by the Conference on three occasions in recent years. India attached great importance to the work of the ILO but it could only be carried out if properly funded. In the past, the Director-General had reacted to income shortfalls by reducing expenditure rather than borrowing from the Working Capital Fund or other sources which meant that additional assessments on member States had been avoided. He agreed with the proposal to retain the surplus to finance projects, although ideally more funds should be found for employment generation and technical cooperation programmes in developing countries.

58. The representative of the Government of the Russian Federation observed that the equivalent of about four years' contributions had been paid by his Government during the biennium 2000-01 and that this had certainly contributed to the current surplus in the ILO. The dissolution of the USSR had left the Russian Federation with a serious economic and financial crisis and large debts to many international organizations, including the ILO. While his Government had not been responsible for the circumstances that led to the debt, it had never attached any conditions to the payment of it and had done its best to meet its constitutional obligations to the ILO in full despite tremendous domestic demands for resources. As a result, the arrears had been fully paid, and this fact showed the continued support for the Director-General and the ILO by the Russian Federation. He expressed gratitude to the Director-General for his appreciation of the efforts of the Russian Federation.

59. The Russian Federation was also keen to participate actively in the search for solutions to the difficult choices facing the ILO today. It had shown flexibility and understanding in accepting the proposals by the Director-General on the last budget and revision of member States' assessments even though in its own case they had meant an increase of 20 per cent in its contribution payable. It was ready to search for a consensus on the issue of the treatment of the cash surplus as well. The basis for a decision was clearly provided for in article 18.2 of the ILO Financial Regulations, and he supported the comments made earlier by the representatives of Germany, Canada, Japan and the United Kingdom. The Financial Regulations should be applied with no exceptions, particularly when programmes were being fully implemented and contributions for many countries were increasing.

60. With respect to the ILO's retention of part of the surplus, he agreed with the comments made by earlier speakers, notably the Employer representative and the representatives of the Governments of Canada, Japan, France, the United Kingdom, Croatia and India, that it was vital to not only identify priority projects but also to provide an adequate justification for them. For the Russian Federation, programmes in the regions and in particular the CIS countries deserved the highest priority because there had been no increase in the budget allocation for activities in these countries in the present programme and budget, despite the fact that such a request had been made. The ILO needed to be active in resolving the urgent labour problems that existed in these countries and he was grateful to the Director-General for the assurance that every effort would be made to seek additional resources for these activities. A number of practical steps needed to be taken in order to improve the role played by the ILO in the regions and in particular in the CIS region.

61. As far as activities in the regions were concerned, he supported the comments made by the representatives of Brazil, Denmark, Malaysia and Saudi Arabia, but it was difficult to accept additional budget growth for administrative activities in headquarters, including projects on management challenges described in paragraph 16 of the document, and the proposal for additional expenditure on the Information Systems Technology Fund which had already received considerable funding without any real detail being provided. In conclusion he thanked the Director-General for the document and for his excellent introductory statement, and would welcome amended proposals which took into consideration the various views expressed in this Committee.

62. The representative of the Government of Slovakia, speaking on behalf of several Eastern European member States, appreciated the Director-General's introduction and remarked that it was more important to use the surplus for a prioritized list of programmes and projects rather than refund it to member States. As the African group had suggested, a large part of the surplus should be used for technical cooperation projects aimed at the decentralization of activities to the regions, especially those targeting the creation of decent work. There was a significant need for projects of this type because economic transition had exacted a heavy price, the high levels of unemployment in some countries of the Eastern European region being but one example.

63. Certain delegations had requested more concrete proposals on how the surplus could be utilized. One did not have to look far to find worthy causes, and in Eastern Europe there was a need for the expertise and assistance of ILO experts in the areas of occupational health and safety, small and medium enterprises, and job creation for the young and the disabled. A national productivity plan for Slovakia was urgently needed. All of these activities were real; most were costly and many had to be curtailed or stopped for lack of funds. With these comments, he was prepared to support the point for decision.

64. Mr. Anand, an Employer member, expressed surprise that the proposal on the disposition of the surplus did not refer to the issue of the informal sector as a priority area. The informal sector was a vital issue of interest to all nations, and the Director-General should

reconsider the allocation of the surplus to fund and accelerate work in this area. Concerning the proposal to set aside funds for "Response to crisis and emergencies" – paragraph 12 of the paper – the ILO should exercise caution in moving into such political and controversial areas because there was the risk that the ILO might be going outside its mandate. The Employers were in agreement with the Workers that 100 per cent of the surplus should be retained.

65. The representative of the Government of New Zealand, speaking also on behalf of the Government of Australia, supported the full return of surplus funds to member States, in accordance with article 18.2 of the Financial Regulations. It was true that the surplus was due to the receipt of arrears rather than underspending the budget, and the Office was to be commended on its prudent financial management, but there were no valid reasons to call for a derogation from the Financial Regulations. The situations described in paragraph 5 of the paper should not be considered a precedent.

66. Why had the Office recommended the retention of such a large proportion of the surplus? The proposals did not contain sufficient information for a full discussion of the merits of each case. A number of proposals related to matters covered under the regular budget, which ran counter to the principle of zero nominal growth and raised issues about the integrity of the budgetary process. They could not agree on the point for decision.

67. The representative of the Government of South Africa commended the Office for its fiscal prudence and efficient management of the budget. The current surplus had arisen not from any act or omission on the part of the ILO, but from late payments from member States who had failed to meet their obligations on time. At the time, the income shortfall meant that programmes were delayed or cancelled for lack of funds so the surplus now should be used to redress the balance, particularly with programmes concerned with the Decent Work Agenda. He supported the view that 100 per cent of the surplus should be used for this purpose.

68. The representative of the Government of Benin expressed support for the statement made by the Algerian representative on behalf of the African group. The proposals made by the Office for the use of the 2001-02 budget surplus were reasoned and sensible. As a result of the late payment of contributions in past biennia, the Office was forced to move cautiously on programme delivery, and technical cooperation activities had also been scaled down. Given the enormous demand for ILO services in the fight against AIDS, the fight against poverty, the necessity of promoting employment in developing countries, and the need to respond to crisis and emergencies, the whole budgetary surplus should be used by the Office to help member States. He supported the point for decision.

69. The representative of the Government of Burkina Faso appreciated the explanations given by the Director-General and he expressed support for the statement made by the Algerian representative on behalf of the African group. As others had pointed out, the surplus was not due to budget underspending but to the receipt of contributions in arrears. The reduction of programmes and technical cooperation activities, which all Members deplored, were a direct consequence of not receiving contributions on time or at all. To reinforce technical cooperation, or increase support for the fight against poverty, the logical solution would be to devote the whole surplus to ILO activities in support of member States, and to reimburse the surplus to Members could indirectly encourage late or non-payment of contributions. His own country had made great sacrifices in order to pay its 2002 contributions in full because it believed in the work of the ILO. There was a legitimate expectation in developing countries that technical cooperation assistance would be received, and it was hoped that African interests in the areas of employment programmes and the fight against AIDS would be kept in mind in deciding on the disposition of the surplus.

70. The representative of the Government of Mexico supported the declaration made on behalf of the GRULAC countries and the proposals made by the Director-General. Part of the surplus should be used in support of the Global Employment Programme given the poverty and unemployment in many areas around the world. A large number of activities aimed at the elaboration of indicators and the development of strategies in order to reduce poverty, increase productivity and contribute to increasing employment and, in view of the importance of this work, funding should be assured. He expressed full support for the point for decision.

71. The representative of the Government of the Republic of Korea said that the issue should be examined again at the Conference in June, and if ILO practice with regard to cash surpluses was at odds with the provisions of the Financial Regulations then the regulations should be revised. Despite the increase in its assessment rate for 2002-03, now double that of the previous biennium, the Republic of Korea had made the difficult decision to join the consensus in approving the budget and scales of assessment at the last Conference. It was not alone in its concerns and given the financial strain on some member States of both increased contributions and the current economic situation, the surplus should be reimbursed to member States as stipulated in the Financial Regulations. It was incongruous that, just nine months after a large number of countries had asked for a zero nominal growth budget for 2002-03 at the last Conference, the Office was proposing to spend 90 million Swiss francs, approximately a quarter of the nominal budget for 2002. These proposals should be scrutinized at least as carefully as regular budget proposals, and much more information was required. The Republic of Korea joined Germany, Japan and the United Kingdom in requesting the Office to provide revised proposals before the next Conference.

72. The representative of the Government of China said that the paper and the Director-General's introduction made a compelling case in favour for the point for decision. For many years the ILO had followed the policy of zero-growth budgets, which on many occasions resulted in the postponement of major projects because of lack of funds, and the greater part of the surplus should be used for technical cooperation with developing countries, in particular the promotion of employment projects. To expect the surplus of one biennium to meet all the current needs was, however, unrealistic and priorities needed to be identified. The paper presented the actions taken on three previous occasions when a surplus occurred, and this could be used as a guide to the current situation. Some projects listed in the document already had resource allocations in the budget, so care should be exercised to avoid duplication. The Office should provide more detailed information on the proposed projects for future review, and although this was a sensitive financial issue for member States, it should be possible to find a consensus.

73. The representative of the Government of Switzerland thanked the Director-General for his explanations, which helped to clarify a number of points in the paper, and he expressed support for the proposal to use the surplus rather than repay it. The surplus gave the ILO the opportunity to generate activities in place of those previously deferred or cancelled for lack of funds, and since it stemmed from the receipt of arrears of contributions it would be contrary to the wishes of most Members to see it repaid to member States. A strict application of article 18.2 of the Financial Regulations was not appropriate in this case.

74. The proposal for extra funds for the World Commission on the Social Dimension of Globalization deserved the fullest support. The ILO should set up a team of eminent and highly qualified economists who would produce work of merit and distinction. This was a unique opportunity and the ILO should not let it slip.

75. Mr. Blondel was pleased to see that, on such a sensitive issue, the Committee had held a balanced and enriching exchange of views on the general functioning of the Organization.

He was also glad that the Financial Regulations had not been misapplied, as it would have been dangerous for some countries to deliberately pay their contributions late in order to recover part of the funds. Concerning the possibility of postponing discussions to the month of June, he pointed out that in June there was no real tripartite discussion and that the driving force behind the work of the Committee was precisely to seek a consensus among Employers, Workers and Governments in order to best serve the interests of each group. The speaker recalled once again that, given the fact that the current cash surplus was due to the settlement of arrears, the funds should not be redistributed. To do so would have been acceptable if the surplus had resulted from cancelling planned activities, but this was not the case.

76. The Director-General had noted that the detailed identification of the activities proposed could probably best be done in consultation with the constituents as part of the ILO's normal operational planning. This formal commitment on the part of the Director-General constituted a guarantee for the Committee. The fact that $32 million, i.e. approximately two-thirds of the total amount, was devoted to technical and regional programmes as defined in the strategic budget constituted a further guarantee; however, the Workers would have preferred the proportion to be three-quarters rather than two-thirds.

77. Mr. Botha said that the discussion on this topic had been both fruitful and interesting, and despite the different viewpoints presented Members were keen to find a consensus. The Employers shared the Workers' concern about leaving the issue unresolved until the Conference because many of their representatives would not be attending. Solutions should thus be found at this Governing Body session, including agreement on possible changes to those parts of the Financial Regulations dealing with the disposition of a cash surplus.

78. The Chairperson adjourned the meeting for a short period to hold consultations with Committee members and the secretariat. Upon resumption he proceeded to sum up the course of discussion and to present some conclusions that it was hoped could be accepted by the broadest possible consensus. Taking account of all viewpoints expressed in a discussion and exchange of views that was very open and balanced, a number of conclusions could be drawn.

79. A large majority of the Committee had expressed itself in favour of the proposals made by the Director-General in the Office document. A large majority also endorsed and ratified the explanations given earlier by the Director-General in his introductory statement.

80. The Committee welcomed the Office's prudent management in recent years and acknowledged that the present debate was essentially a strategic budgeting discussion similar to that introduced for the 2000-01 programme and budget. The Committee noted that a number of priorities were voiced during the course of discussion by the Employers and Workers, as well as by certain governments, including those speaking on behalf of the African group and on behalf of GRULAC, but this list was not exhaustive. The Office had taken note of these suggestions.

81. Also highlighted during the course of discussion was the need for more information to ensure that the Governing Body was properly informed in future discussions on this subject. As well as taking note of suggestions made and requests for additional information, the Director-General and the Office were committed to undertaking in-depth consultations with members immediately after the conclusion of this session of the Governing Body. The Director-General also undertook to keep the Committee and the Governing Body fully informed on the use of these resources within the context of the strategic policy framework.

82. The last major conclusion emerging from the discussion was that a large majority recognized that article 18.2 of the Financial Regulations did not satisfactorily cover the situation being discussed by the Committee. Several speakers suggested that the relevant provisions of the Financial Regulations should be revised. This would also require in-depth consultation in order to find a solution acceptable to all and it would seem advisable that a formulation to this effect should be included in the decision paragraph.

83. The Chairperson then proposed the following alternative text to paragraph 22 of the Office paper:

> The Committee may therefore wish to recommend that the Governing Body:
>
> (i) request the Director-General to propose amendments to the Financial Regulations in order that surpluses may be dealt with in an appropriate manner, taking into account the circumstances under which they have occurred; and
>
> (ii) propose to the 90th Session (June 2002) of the International Labour Conference that, in derogation of article 18.2 of the Financial Regulations, the 2000-01 surplus of 100,925,636 Swiss francs (equivalent to US$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) be used in part to finance the items listed in the Appendix, amounting to 90,801,000 Swiss francs (equivalent to US$51,300,000 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) and that it adopt a resolution in the following terms:
>
> > The General Conference of the International Labour Organization,
> >
> > *Noting* that for the 2000-01 biennium an excess of income over expenditure has resulted in a surplus of 100,925,636 Swiss francs (equivalent to US$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar),
> >
> > *Decides*, in derogation of article 18.2 of the Financial Regulations, to use part of the 2000-01 surplus to finance the items listed in the Appendix amounting to 90,801,000 Swiss francs,
> >
> > *Notes* that, taking into account the above appropriations, the amount available under article 18.2 of the Financial Regulations will be 10,124,636 Swiss francs.

84. Mr. Botha, on behalf of the Employers, and Mr. Blondel, on behalf of the Workers, expressed agreement with the amended text for decision paragraph 22.

85. The representative of the Government of Germany appreciated the cooperative spirit in which discussions had taken place but for reasons stated earlier was not able to join a consensus in favour of the point for decision. However, he would not oppose a consensus in favour, and he requested that this position be fully reflected in the report in order not to prejudice the position of his delegation at the Conference in June 2002.

86. The representative of the Government of Japan regretted that he was unable to join a consensus in favour of the new decision paragraph 22. The Office should be accountable to member States for cash surpluses and the Financial Regulations reflected this accountability. In the absence of more information there should be no decision on the proposal.

87. The representative of the Government of the Republic of Korea regretted that he too was unable to join a consensus in favour of the amended decision paragraph and wished to reserve his position until the next session of the Conference.

88. The representative of the Government of Namibia joined the Workers and Employers in favour of the new decision paragraph and hoped other governments would do the same. He expressed full understanding for the views of the representative of the Government of Germany and was grateful that it did not resist the consensus.

89. The representative of the Government of Algeria said that the African group fully supported the amended text for paragraph 22.

90. The representative of the Government of South Africa endorsed the views expressed by the representatives of the Governments of Namibia and Algeria.

91. The representative of the Government of New Zealand observed that a number of countries, New Zealand and Australia among them, had expressed disagreement with the recommendation in the Office paper. Although they would not block consensus they wished to reserve their position for future discussion.

92. The representative of the Government of the Russian Federation expressed regret that consensus had not been reached and joined the representatives of the Governments of Japan, Germany, the Republic of Korea and New Zealand in reserving his position for future discussion.

93. The representative of the Government of the United Kingdom agreed with the concerns expressed by the representatives of New Zealand, Japan and others. The United Kingdom would gladly participate in further consultations on this subject but at the moment wished to reserve its position. It would not block consensus but it did seem that views expressed during the course of discussion had not been taken fully into account.

94. The representative of the Government of Canada associated himself with the statement by the representative of the Government of the United Kingdom.

95. The Chairperson expressed appreciation to Committee members for their contributions to this interesting discussion. Despite reservations expressed by the representatives of the Governments of Germany, Japan, the Republic of Korea, New Zealand, the Russian Federation, the United Kingdom and Canada, there was a solid consensus in favour of the amended decision paragraph 22.

96. ***The Committee therefore recommends that the Governing Body:***

(i) request the Director-General to propose amendments to the Financial Regulations in order that surpluses may be dealt with in an appropriate manner, taking into account the circumstances under which they have occurred; and

(ii) propose to the 90th Session (June 2002) of the International Labour Conference that, in derogation of article 18.2 of the Financial Regulations, the 2000-01 surplus of 100,925,636 Swiss francs (equivalent to US$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) be used in part to finance the items listed in Appendix II to this report, amounting to 90,801,000 Swiss francs (equivalent to

US$51,300,000 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) and that it adopt a resolution in the following terms:

The General Conference of the International Labour Organization,

Noting *that for the 2000-01 biennium an excess of income over expenditure has resulted in a surplus of 100,925,636 Swiss francs (equivalent to US$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar),*

Decides, *in derogation of article 18.2 of the Financial Regulations, to use part of the 2000-01 surplus to finance the items listed in Appendix II to this report amounting to 90,801,000 Swiss francs,*

Notes *that, taking into account the above appropriations, the amount available under article 18.2 of the Financial Regulations will be 10,124,636 Swiss francs.*

Appendix I

Director-General's introduction of GB.283/PFA/2/2

Treatment of 2000-01 surplus

Mr. Chairperson, thank you for the opportunity to introduce this paper.

You are faced today with especially important decisions. They will have much to do with the way the Office is managed and the services it can provide to member States.

And they are your decisions. It is the PFAC's responsibility to set the guidelines for the Office in programme, financial and administrative matters, taking into account the diverse interests and perceptions involved.

The Office has submitted some proposals for your consideration – but at the end of the day – our principal responsibility is to implement as efficiently and as effectively as possible your decisions with the resources that you put at our disposal. As any proposal to you, it is there for your comments and criticisms and for you to change them as you desire.

Today's discussion results from the fact that the Office received $57 million more during 2000-01 than was required to cover the authorized budget expenditures.

The surplus arose because some member States failed to pay their full contributions in the past, and decided to pay part of their arrears in 2000-01. Last November the United States announced a large payment of arrears. This payment constitutes the bulk of the surplus we now have. I want to thank the United States and all countries involved. I take it as a commitment to the work of the ILO.

It is important to clarify that this is not a budget surplus resulting from underspending the approved budget. As stated in the document GB.283/PFA/1 authorized expenditures have been fully implemented.

What we are facing is a cash flow surplus resulting from the payment of arrears.

What are the applicable rules?

There are three options in dealing with income shortfall resulting from non-payment of contributions and any surplus resulting from payment of arrears.

The first option is the "debt and repayment" option. Article 21 of the Financial Regulations covers the situation that occurs when a member State fails to make the contributions due in a biennium. It clearly states that should available income be temporarily inadequate to finance budgetary expenditures, the Director-General has the authority to borrow from the Working Capital Fund and from any other sources. The regulations then cover the situation when arrears are paid and a surplus occurs. They provide that the arrears are credited against the acquired obligations in order to repay outstanding loans. This option has not been used by the Office in the past and I don't think that it should in the future.

A second option is to reduce expenditures to the level of income available. When shortfalls in contributions have been likely, the Office has reduced spending through important programme reductions. It is the "prudent management" option which the Office

has systematically applied in the past. In one sense it has helped to tighten the ship and shed fat, but in a more structural way it has affected overall delivery.

When the surplus is the result of programme cuts the Governing Body can apply article 18 of the Financial Regulations requesting that the full amount be credited to member States. This is done in proportion to their contributions, so that big contributors get big amounts and small contributors small amounts.

A third option available to the Governing Body is to make an exception to the above rule and apply part of these resources to important needs and activities of the Organization which would otherwise not be funded. This has been done in the past but I want to highlight that each decision was taken on its own merit and considering the particular needs of the ILO at the time.

In my mind, these decisions should not be considered as precedents that somehow constitute established practice – simply because this has been done in the course of the 1990s.

If this option is to be retained, it is because you are convinced that it is a better institutional option for the constituents. It would permit them to benefit from the surplus through more and better services on activities and initiatives which they would otherwise not receive.

Let me make some general comments on why we have put to you the option of utilizing a significant proportion of the surplus.

First of all, because we believe it will *benefit developing countries*. These are the countries most affected by the programme and other reductions resulting from the prudent management option. It would be a legitimate expectation of countries in Africa, Asia, Latin America and the Arab world to now benefit from the use of the surplus. This is equally valid for CIS countries. We estimate that two-thirds of the proposed expenditures will directly benefit those countries.

If 100 per cent of the $57 million surplus is used to reduce future budget contributions, the 53 countries of Africa will receive total credits of $500,000. The 11 CIS countries other than the Russian Federation would receive total credits of $208,000. The developing countries of Asia, including China, India and Indonesia, would receive credits of $1,131,000. The 15 poorest countries in the Americas would all together be credited with less than $23,000. The Arab States would be credited with $615,000.

If the surplus was fully credited to governments, more than 90 per cent of it, $51.5 million would go to countries members of the OECD.

Secondly, because *there are real needs*. Objective, concrete, real needs that these resources can help respond to. I am presenting to you a "needs-based" approach to this issue. Needs that have either appeared after the approval of the budget or had been acknowledged already by the Governing Body when it considered the Strategic Policy Framework for 2002-05.

So the proportion of the surplus suggested for use has been built bottom up on a need-by-need basis. We have not targeted particular figures, we have targeted particular needs.

Thirdly, because it would be a *sound management decision* which would send the right message to the Office. If the surplus is fully credited to the countries – the message is – "next time around make sure you go the 'debt and repayment way'" so you don't have to

reduce programmes and you can implement your full budget. I think it is a stimulus in the wrong direction.

If a significant proportion can be retained the message would be "continue with your prudent management of shortfalls in payments, don't get indebted and reduce programmes as necessary". When the arrears are eventually paid – the message continues – "we will consider the situation at that moment and take a decision according to the needs that may exist then". Nothing is assured for the future, previous decisions are not precedents, but the possibility of eventually using those resources is not excluded either. It is a great stimulus for prudent management.

This option, of course, is not without difficulties for the Office. Our institutional memory is filled with stories of what happens during what we call a "financial crisis": recruitment and spending freezes; cuts across the full range of ILO programmes; reduced services to constituents; delayed investments in technology, research and training; and sometimes even a halt to routine maintenance.

I believe that member States have a right to expect prudent management of resources at all moments, but particularly if there are income shortfalls. We should not have a cavalier attitude towards indebtedness. We will certainly continue to prefer this option if we are backed by the Governing Body.

Mr. Chairperson, let me reflect on how these resources should be used if eventually approved by you.

First, the resources are not to be used in a sudden splurge of spending. We must avoid the dangers of complacency; a feeling that we now have an injection of resources that can make our management more lax. It will be the contrary. Strict approval procedures will be put in place.

Second, the rationale of our proposals is not just urgency or unfunded new initiatives but real needs that have already been identified by the Governing Body.

Third, the proposals are for specific, non-recurrent time-bound expenditures and do not create new structures or an expectation that activities will be continued under the regular budget.

Fourth, strategic budgeting principles will apply. Each activity planned will use the ILO's framework of strategic and operational objectives. Reporting on our performance on the surplus use will be a part of the ILO's regular integrated implementation reporting to the Governing Body. This takes place yearly. It already covers both regular budget and extra-budgetary resources.

Mr. Chairperson, I would now like to turn to the substance of the proposals in the document before you.

The Governing Body addressed the substantive justification for undertaking these activities in its discussion of the Strategic Policy Framework in November 2000.

Let me recall paragraph 3 of that document which states its objectives. I quote:

> ... The strategic policy framework seeks to do two things: to propose strategies on how the ILO's objective can be achieved; and to identify means of strengthening the ILO's capacity to implement those strategies ... The organizing theme for the period 2002-05 is putting the Decent Work Agenda in practice.

Having established that these will be one-time, non-recurrent expenditures which do not constitute a precedent, the first question that needs to be answered is whether the investments proposed correspond to the ILO's strategic objectives and whether they will contribute to putting the Decent Work Agenda into practice. We believe that the answer is yes. In the same way we believe that the resources for new demands and opportunities cover issues which are clearly necessary. On some of these the Governing Body has already taken decisions.

Let me now turn to the need to *strengthen our institutional capacity* described in Chapter II.

To begin with, let me say that none of the proposed areas of expenditures are new to you. They are exactly the same areas that the Strategic Policy Framework stated that required strengthening in the medium term. It identified huge needs to rebuild the capacities of the Office, but provided no additional resources for doing so.

Let me quote the relevant passage:

> The second part of the document deals with specific measures to be implemented in the medium term to strengthen our institutional capacity to meet future challenges. Sections cover management, regional services, knowledge management, statistics, gender equality, external communications, external relations, human resources and information technology. We cannot predict events for which our services may be required, but we know that if our internal intellectual and managerial capacities are inadequate, so too will our responses to those events. The unifying theme of this part of the policy framework is to expand and deepen our knowledge base and improve our ability to place this knowledge at the service of our constituents. These proposals are intended to be achieved over the period up to 2005.

The same document went on to say that under a zero-growth budget, resource constraints were especially severe for some of the ILO's most promising new programmes and for long-neglected issues such as staff training.

As a consequence you have before you a relatively simple proposal. These needs had already been identified by the Governing Body when it considered the Strategic Policy Framework. It was known by the Governing Body that not enough resources were available to make the required investments. So we are proposing that part of the surplus be used to respond to existing needs that had previously been identified.

This may explain the synthetic nature of the explanations given. We felt that we already had agreement that these were priority issues that needed to be dealt with, but that we were lacking the necessary resources.

I apologize if this point was not made clear enough in the document before you and some of you felt that there was too little information to justify important levels of expenditures. We felt that the strategic argumentation was already contained in the joint reading of the Strategic Policy Framework and the budget for 2002-03. And that reporting would be done annually on the combined use of the regular budget, the extra-budgetary resources and the use of surplus funds.

We made a choice that we believe corresponds to the strong desire of the Governing Body to move from administrative, activity-based budgeting to a strategic, results-based budgeting.

As always, the Office is ready to make available the information that the Governing Body may require. But I would hope that we don't slip back into the administrative budgeting of the past.

The project-by-project identification of detailed activities could probably best be done in consultation with the constituents concerned as part of the ILO's normal operational planning, as we now do for expenditure under the regular budget. If these proposals are approved, such consultations would naturally take place in the course of their implementation.

The exercise would be completed when reporting annually to the Governing Body on the use of the funds – the results obtained and their linkage with the strategic budgeting process.

The emphasis of these proposals is on substantive work. Some $32 million, or almost two-thirds, is devoted to technical and regional programmes as defined in the strategic budget. None of the rest is devoted to administrative costs, rather to investments in management capabilities, human resource development, evaluation, security, information technology, and the necessary accommodation to do our work.

Mr. Chairperson, I do not believe that this presentation is the occasion to go through the proposals in the document before you one by one. As I have said, these proposals need to be read in conjunction with the Strategic Policy Framework and the Programme and Budget for 2002-03.

Together with my colleagues, we are at your disposal to respond to any query you might have. However, I do want to raise a few issues based on consultations that we have had concerning the paper.

The first point I want to cover is my strong commitment to the reinforcement of the ILO's work in the regions in the framework of the Decent Work Agenda. As I mentioned earlier, some two-thirds of the proposed expenditure will directly benefit developing countries. Each developing region would benefit in approximately the same proportions as its share of the regular budget.

This Committee has frequently asked for more resources for employment programmes such as Jobs for Africa or for ILO/AIDS or the strengthening of our crisis-response instruments, and in general for reinforcement of our technical cooperation capacity. The proposed resources would permit the development of a more coherent, more integrated, better designed programme of technical cooperation that responds to these and other requests. In particular, work linking employment and PRSPs in cooperation with the Bretton Woods institutions would be enhanced.

These resources would also facilitate greater decentralization of staff and responsibilities so that we are closer to the constituents we serve. They would help cover the transition cost involved, and would reinforce decent work country programmes.

The second area identified is the management challenges we face.

We have embarked on the difficult process of introducing strategic budgeting and results-based management. Experience around the world has shown that the reform process needs to maintain strong momentum or it tends to fade away. Maintaining the momentum is not just a matter of leadership from the top management and from the governance institutions, though this is of course essential.

It also requires training and retraining at all levels to apply new procedures and to foster accountability throughout the Organization. It requires a new commitment to evaluation in more places, in greater depth, and with more independence. When opportunities for streamlining are found, an institution like the ILO has a special responsibility to ensure that displaced workers are retrained and reassigned. Further

investment in modern management, now that we have the opportunity to reinforce what we are already doing, is strategically necessary.

More broadly, human resource development is an essential element of the ILO's future. It upgrades the quality of all our services. Surely we in the ILO see training not as an administrative cost, but as an investment in our performance. The same applies to the need to bring a new generation of officials into our Organization, to expose them to both headquarters and the regions, and to prepare them to be at the core of our future effectiveness and efficiency.

A substantial reinforcement of our management capabilities and human resource development programmes is needed in order to continue enhancing delivery to our constituents.

Finally, let me turn to the World Commission on the Social Dimension of Globalization. The early stages of this work have involved a highly dynamic process, especially once we were able to benefit from the guidance of the Co-Chairpersons. The Commission itself has been put together in record time and with the participation of outstanding personalities.

In the first contact with a number of commissioners, issues of time frame, extensive regional and global consultations, more meetings than initially considered and availability of all necessary research and technical back-up of the highest quality arose. There has been an inevitable impact on the budget of the Commission. Nonetheless, this budget remains well below the cost of comparable commissions. We will go over these matters in much greater detail when the Working Party on the Social Dimension of Globalization meets during this session of the Governing Body.

Let me recall the major themes that I have covered. First, the proposals before you are built on a needs-based approach. They respond to the needs and problems of our constituents, in particular those in developing countries. Secondly, the whole discussion of surpluses and their use should be based on the principle of prudent management. This is what the Governing Body has consistently sought and I expect that you will confirm that this is the way you want the Office to be managed in the future. Lastly, the proposals reinforce the results-based management and strategic budgeting concepts that this Committee has insisted upon.

It is my duty as Director-General to make the case that the ILO can and should do more. It is my profound personal belief that we must do more. We now have the opportunity to do more. The decision is in your hands.

Appendix II

Proposed use of the 2000-01 surplus

Summary

	US dollars	US dollars
New demands and opportunities		
Maritime Session of the International Labour Conference	3,200,000	
World Commission on the Social Dimension of Globalization	2,800,000	
International labour standards	2,000,000	
Response to crisis and emergencies	6,500,000	
Investments in building and accommodation	5,500,000	
Security and safety of staff	2,800,000	
		22,800,000
Strengthening of institutional capacities foreseen under the Strategic Policy Framework		
Management challenges	6,000,000	
Regional services	10,000,000	
Statistics	2,000,000	
Gender equality	2,000,000	
External communications	3,500,000	
Investment in information technology	5,000,000	
		28,500,000
Total		51,300,000
Total cost in Swiss francs		90,801,000

INTERNATIONAL LABOUR OFFICE

Governing Body

GB.283/PFA/15/1
283rd Session

Geneva, March 2002

Programme, Financial and Administrative Committee

PFA

FIFTEENTH ITEM ON THE AGENDA

Matters relating to the ILO Administrative Tribunal

Composition of the Tribunal

1. Article III, paragraph 2, of the Statute of the ILO Administrative Tribunal states: "the judges shall be appointed for a period of three years by the Conference". The Tribunal currently has the following composition:

Judges:

Mr. Michel Gentot (France), President: term of office expires in July 2004;

Ms. Mella Carroll (Ireland), Vice-President: term of office expires in July 2002;

Mr. Seydou Ba (Senegal): term of office expires in July 2003;

Mr. Jean-François Egli (Switzerland): term of office expires in July 2004;

Mr. James K. Hugessen (Canada): term of office expires in July 2003;

Ms. Flerida Ruth P. Romero (Philippines): term of office expires in July 2003;

Ms. Hildegard Rondón de Sansó (Venezuela): term of office expires in July 2003.

2. The judge whose term of office expires in July 2002, Ms. Mella Carroll, has informed that she will not be in a position to accept a further renewal of her appointment. On the expiry of Ms. Carroll's term of office, there will accordingly be a vacant position on the Tribunal.

3. In keeping with the long-standing practice of appointing to the Tribunal persons who hold or have held high judicial office, account being taken of the need for overall linguistic balance and equilibrium in terms of different systems of law and geographical representation, the Director-General, after consulting the Officers of the Governing Body, proposes the following appointment:

Ms. Justice Mary Geneviève Gaudron (Australia, born in 1943), is Justice of the High Court of Australia since 1987. She was previously the Solicitor-General of New South

Wales (1981-87), Chairperson, NSW Legal Services Commission (1979-80), Deputy President of the Australian Conciliation and Arbitration Commission (1974-80) and a barrister and solicitor from 1961 to 1974. She has also held directorate positions in two Australian universities (Macquarie and Wollongong).

4. ***The Committee is accordingly invited, through the draft resolution below:***

(a) to recommend to the Governing Body and, through it, to the Conference, that they convey to Ms. Mella Carroll their appreciation for the services she has rendered to the work of the Administrative Tribunal over the last 15 years;

(b) to recommend to the Governing Body that it propose to the 90th Session of the International Labour Conference the appointment of Justice Gaudron as judge of the Administrative Tribunal for a three-year term;

The General Conference of the International Labour Organization,

Expresses ***its appreciation to Ms. Mella Carroll for the services which she has rendered to the work of the Administrative Tribunal of the International Labour Organization over the last 15 years;***

Decides, ***in accordance with article III of the Statute of the Administrative Tribunal of the International Labour Organization, to appoint as judge of the Administrative Tribunal, for a term of three years with effect from July 2002,***

Ms. Justice Mary Geneviève Gaudron (Australia).

Geneva, 19 March 2002.

Point for decision: Paragraph 4.

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